

Approved by the Streamlined Sales Tax Project at its January 13, 2004 Meeting

Edited February 23, 2004 to add additional options for drugs for animal use and again based on February 27, 2004 teleconference

**Taxability Matrix
Library of Definitions**

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Each of the items listed in the chart are defined in the Library of Definitions in the Streamlined Sales Tax Agreement adopted November 12, 2002, or adopted by the Implementing States subsequent to November 12, 2002. Refer to Appendix C of the Streamlined Sales Tax Agreement for each definition.

Place an "X" in the appropriate column under the heading "Treatment of definition" to indicate the treatment of each definition in your state. If a definition does not apply to your state, enter "NA" in the first column under the heading "Treatment of definition." In accordance with the agreement, your state must adopt the definitions in the Library of Definitions that apply to your state without qualifications except for those allowed by the agreement. For this reason, do not enter any comments or qualifications in the two columns under the heading "Treatment of definition". If your state has adopted a definition in the Library of Definitions with a qualification, do not place an "X" in either column under the heading "Treatment of definition" but include a comment in the "Reference" column explaining the qualification. Enter the applicable statute/rule cite in the "Reference" column.

Sellers and certified service providers are relieved from tax liability to the member state and its local jurisdictions for having charged and collected the incorrect amount of sales and use tax resulting from the seller or certified service provider relying on erroneous data provided by the member state relative to treatment of the terms defined in the Library of Definitions.

Administrative definitions	Treatment of definition		Reference
	Included in sales price	Excluded from sales price	
Sales price Identify how the options listed below are treated in your state. The following options may be excluded from the definition of sales price only if they are separately stated on the bill to the purchaser. <ul style="list-style-type: none">Charges by the seller for any services necessary to complete the sale other than delivery and installation	X		Act 181 of 2007: A.C.A. 26-52-103(13)(A), 26-53-102(12)(A)
<ul style="list-style-type: none">Delivery charges including direct mail	X		Act 181 of 2007: A.C.A. 26-52-103(13)(A), 26-53-102(12)(A)
<ul style="list-style-type: none">Delivery charged excluding direct mail	X		Act 181 of 2007:

			A.C.A. 26-52-103 (13)(A), 26-53-102(12) (A)
<ul style="list-style-type: none"> Installation charges 		X	Act 181 of 2007: A.C.A. 26-52-103 (13)(A), 26-53-102(12)(A). However, some installation charges constitute taxable services, i.e. A.C.A. 26-52-301(3)(B), GR-9.17.
<ul style="list-style-type: none"> Exempt personal property bundled with taxable personal property 	X		Act 181 of 2007: A.C.A. 26-52-103 (13)(A), 26-53-102(12)(A)
<ul style="list-style-type: none"> Credit for trade-in 	X		Act 181 of 2007: A.C.A. 26-52-103(13)(A), 26-53-102(12)(A). No credit for trade-in is allowed unless specifically provided by statute, i.e. A.C.A. 26-52-510.
Product definitions			
Clothing and related products	Taxable	Exempt	Statute/Rule Cite
Clothing	NA		All items in this category are taxable as TPP unless a specific exemption applies.
Clothing accessories or equipment	NA		" "
Protective equipment	X		Generally taxable as TPP unless a specific exemption applies, i.e. volunteer fire Depts. A.C.A. 26-52-434, 26-53-142. The definition of protective equipment will be adopted by

			administrative rule.
Sport or recreational equipment	NA		All items in this category are taxable as TPP unless a specific exemption applies.
Computer related products	Taxable	Exempt	Statute/Rule Cite
Computer software (not prewritten)	X		Act 181 of 2007: A.C.A. 26-52-304(a)(1), 26-53-109(a)(1)
Computer software (not prewritten) delivered electronically		X	Act 181 of 2007: A.C.A. 26-52-304(a)(1)(B)(ii), 26-53-109(a)(1)(B)(ii)
Computer software (not prewritten) delivered via load and leave		X	" "
Prewritten computer software	X		Act 181 of 2007: A.C.A. 26-52-304(a)(1), 26-53-109(a)(1). See Note 2.
Prewritten computer software delivered electronically		X	" "
Prewritten computer software delivered via load and leave		X	" "
Food and food products	Taxable	Exempt	Statute/Rule Cite
Candy	NA		All items in this category are taxable as TPP unless a specific exemption applies.
Dietary supplements	X		Act 181 of 2007: A.C.A. 26-52-103(10), 26-53-102(3); Act 110 of 2007: 26-52-317(b)(2)
Food and food ingredients	X		Act 181 of 2007: A.C.A. 26-52-103(12), 26-53-102(5); Act 110 of 2007:

			26-52-317(b)(3).
Food sold through vending machines	NA		TPP sold through a vending device are administered separately, i.e. A.C.A. 26-57-1001 et seq.
Soft drinks	NA		All items in this category are taxable as TPP unless a specific exemption applies.
Prepared food			
Prepared food options - indicate whether the following options are included or excluded from the definition of prepared food.	Included in the definition	Excluded from the definition	Statute/Rule Cite
<ul style="list-style-type: none"> Food sold without eating utensils provided by the seller whose primary NAICS classification is manufacturing in sector 311, except subsector 3118 (bakeries) 	X		Act 181 of 2007: A.C.A. 26-52-103(16), 26-53-102(8); Act 110 of 2007: 26-52-317(b)(4).
<ul style="list-style-type: none"> Food sold without eating utensils provided by the seller in an unheated state by weight or volume as a single item 	X		" "
<ul style="list-style-type: none"> Bakery items sold without eating utensils provided by the seller, including bread, rolls, buns, biscuits, bagels, croissants, pastries, donuts, Danish, cakes, tortes, pies, tarts, muffins, bars, cookies, tortillas 	X		" "
Health-care products			
Drugs (indicate how the options are treated in your state)	Taxable	Exempt	Statute/Rule Cite
<ul style="list-style-type: none"> Drugs for human use without a prescription 	X		A.C.A. 26-52-406 The definition of drug and prescription will be adopted by administrative rule.
<ul style="list-style-type: none"> Drugs for human use with a prescription 		X	A.C.A. 26-52-406 The definition of drug and prescription will be adopted by administrative rule.
<ul style="list-style-type: none"> Drugs for animal use without a prescription 	X		Taxable as TPP - Limited exemption for livestock and poultry.

			A.C.A. 26-52-404, 26-52-405
• Drugs for animal use with a prescription	X		Taxable as TPP - Limited exemption for livestock and poultry. A.C.A. 26-52-404, 26-52-405
• Insulin for human use without a prescription		X	A.C.A. 26-52-419
• Insulin for human use with a prescription		X	A.C.A. 26-52-419
• Insulin for animal use without a prescription	X		Taxable as TPP
• Insulin for animal use with a prescription	X		" "
• Medical oxygen for human use without a prescription	X		A.C.A. 26-52-406
• Medical oxygen for human use with a prescription		X	A.C.A. 26-52-406
• Medical oxygen for animal use without a prescription	X		Taxable as TPP
• Medical oxygen for animal use with a prescription	X		Taxable as TPP
• Over-the-counter drugs for human use without a prescription	NA		Taxable as TPP A.C.A. 26-52-406
• Over-the-counter drugs for human with a prescription	NA		Taxable as TPP A.C.A. 26-52-406
• Over-the-counter drugs for animal use without a prescription	NA		Taxable as TPP - Limited exemption for livestock and poultry. A.C.A. 26-52-404, 26-52-405
• Over-the-counter drugs for animal use with a prescription	NA		Taxable as TPP - Limited exemption for livestock and poultry. A.C.A. 26-52-404, 26-52-405
• Grooming and hygiene products for human use	NA		Taxable as TPP
• Grooming and hygiene products for animal use	NA		Taxable as TPP
• Drugs for human use to hospitals and other medical facilities	X		Exemption for nonprofit hospitals and sanitariums. A.C.A. 26-52-401(21)
• Prescription drugs for human use to hospitals and other medical facilities		X	A.C.A. 26-52-406 The definition of drug and prescription will be adopted by administrative rule.
• Drugs for animal use <u>to</u> veterinary hospitals and other animal medical facilities	X		Limited exemption for livestock and poultry. A.C.A. 26-52-404,

			26-52-405
<ul style="list-style-type: none"> Prescription drugs for animal use <u>to</u> hospitals and other animal medical facilities 	X		Taxable as TPP - Limited exemption for livestock and poultry. A.C.A. 26-52-404, 26-52-405
<ul style="list-style-type: none"> Taxable and nontaxable drugs bundled together 			Depends on bundling rules.
<ul style="list-style-type: none"> Free samples of drugs for human use 	X		A.C.A. 26-52-406 The definition of drug and prescription will be adopted by administrative rule.
<ul style="list-style-type: none"> Free samples of prescription drugs for human use 		X	A.C.A. 26-52-406 The definition of drug and prescription will be adopted by administrative rule.
<ul style="list-style-type: none"> Free samples of drugs for animal use 	X		A.C.A. 26-52-406
<ul style="list-style-type: none"> Free samples of prescription drugs for animal use 	X		A.C.A. 26-52-406

Durable medical equipment (indicate how the options are treated in your state)	Taxable	Exempt	Statue/Rule Cite
<ul style="list-style-type: none"> Durable medical equipment without a prescription 	X		Act 181 of 2007: A.C.A. 26-52-433, 26-53-141
<ul style="list-style-type: none"> Durable medical equipment with a prescription 	X		Act 181 of 2007: A.C.A. 26-52-433, 26-53-141. DME must be for home use to be exempt.
<ul style="list-style-type: none"> Durable medical equipment paid for by Medicare 		X	A.C.A. 26-52-401(20)
<ul style="list-style-type: none"> Durable medical equipment reimbursed by Medicare 		X	A.C.A. 26-52-401(20)
<ul style="list-style-type: none"> Durable medical equipment paid for by Medicaid 		X	A.C.A. 26-52-401(20)
<ul style="list-style-type: none"> Durable medical equipment reimbursed by Medicaid 		X	A.C.A. 26-52-401(20)
<ul style="list-style-type: none"> Durable medical equipment for home use without a prescription 	X		Act 181 of 2007 & Act 860 of 2007: A.C.A. 26-52-433, 26-53-141
<ul style="list-style-type: none"> Durable medical equipment for home use with a prescription 		X	Act 181 of 2007 & Act 860 of 2007: A.C.A. 26-52-433, 26-53-141
<ul style="list-style-type: none"> Durable medical equipment for home use paid for by Medicare 		X	A.C.A. 26-52-401(20)
<ul style="list-style-type: none"> Durable medical equipment for home use reimbursed by Medicare 		X	A.C.A. 26-52-401(20)
<ul style="list-style-type: none"> Durable medical equipment for home use paid for by Medicaid 		X	A.C.A. 26-52-401(20)

• Durable medical equipment for home use reimbursed by Medicaid		X	A.C.A. 26-52-401(20)
Mobility enhancing equipment (indicate how the options are treated in your state)	Taxable	Exempt	Statute/Rule Cite
• Mobility enhancing equipment without a prescription	X		Act 181 of 2007: A.C.A. 26-52-433, 26-53-141
• Mobility enhancing equipment with a prescription		X	Act 181 of 2007: A.C.A. 26-52-433, 26-53-141
• Mobility enhancing equipment paid for by Medicare		X	A.C.A. 26-52-401(20)
• Mobility enhancing equipment reimbursed by Medicare		X	A.C.A. 26-52-401(20)
• Mobility enhancing equipment paid for by Medicaid		X	A.C.A. 26-52-401(20)
• Mobility enhancing equipment reimbursed by Medicaid		X	A.C.A. 26-52-401(20)
Prosthetic devices (indicate how the options are treated in your state)	Taxable	Exempt	Statute/Rule Cite
• Prosthetic devices without a prescription	X		Act 181 of 2007: A.C.A. 26-52-433, 26-53-141
• Prosthetic devices with a prescription		X	Act 181 of 2007: A.C.A. 26-52-433, 26-53-141
• Prosthetic devices paid for by Medicare		X	A.C.A. 26-52-401(20)
• Prosthetic devices reimbursed by Medicare		X	A.C.A. 26-52-401(20)
• Prosthetic devices paid for by Medicaid		X	A.C.A. 26-52-401(20)
• Prosthetic devices reimbursed by Medicaid		X	A.C.A. 26-52-401(20)
• Corrective eyeglasses without a prescription	X		Act 181 of 2007: A.C.A. 26-52-433, 26-53-141.
• Corrective eyeglasses with a prescription	X		Act 181 of 2007: A.C.A. 26-52-433, 26-53-141
• Corrective eyeglasses paid for by Medicare		X	A.C.A. 26-52-401(20)
• Corrective eyeglasses reimbursed by Medicare		X	A.C.A. 26-52-401(20)
• Corrective eyeglasses paid for by Medicaid		X	A.C.A. 26-52-401(20)
• Corrective eyeglasses reimbursed by Medicaid		X	A.C.A. 26-52-401(20)
• Contact lenses without a prescription	X		Act 181 of 2007: A.C.A. 26-52-433, 26-53-141
• Contact lenses with a prescription	X		Act 181 of 2007: A.C.A. 26-52-433, 26-53-141
• Contact lenses paid for by Medicare		X	A.C.A. 26-52-401(20)
• Contact lenses reimbursed by Medicare		X	A.C.A. 26-52-401(20)
• Contact lenses paid for by Medicaid		X	A.C.A. 26-52-401(20)
• Contact lenses reimbursed by Medicaid		X	A.C.A. 26-52-401(20)
• Hearing aids without a prescription	X		Act 181 of 2007: A.C.A. 26-52-433, 26-53-141

• Hearing aids with a prescription		X	Act 181 of 2007: A.C.A. 26-52-433, 26-53-141
• Hearing aids paid for by Medicare		X	A.C.A. 26-52-401(20)
• Hearing aids reimbursed by Medicare		X	A.C.A. 26-52-401(20)
• Hearing aids paid for by Medicaid		X	A.C.A. 26-52-401(20)
• Hearing aids reimbursed by Medicaid		X	A.C.A. 26-52-401(20)
• Dental prosthesis without a prescription	X		Act 181 of 2007: A.C.A. 26-52-433, 26-53-141
• Dental prosthesis with a prescription	X		Act 181 of 2007: A.C.A. 26-52-433, 26-53-141
• Dental prosthesis paid for by Medicare		X	A.C.A. 26-52-401(20)
• Dental prosthesis reimbursed by Medicare		X	A.C.A. 26-52-401(20)
• Dental prosthesis paid for by Medicaid		X	A.C.A. 26-52-401(20)
• Dental prosthesis reimbursed by Medicaid		X	A.C.A. 26-52-401(20)

Note 1: We inadvertently adopted the definition effective through December 31, 2007. We intend to implement the rules for bundled transactions through administrative rules.

Note 2: We intended to adopt the definition of prewritten computer software in the agreement. However, a typographical error resulted in a narrowed definition. This will not affect the application of the definition and will be fixed as soon as practicable.

Note 3: Exemptions for sales tax also apply to use tax. See A.C.A. 26-53-112.